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August 23, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-31

Dear Ms. Cottrell:

Enclosed please find Bay State Gas Company's responses to the following Information Requests: USW-3-1, USW-3-2, USW-3-3, USW-3-4 and USW-3-5.

Very truly yours,

Robert L. Dewees, Jr.

RLD/tlm
Enclosure

cc: Caroline Bulger
John Cope Flanagan
Nicole Horberg Decter
Charles Harak
Gary Epler
Kevin F. Penders
Jack Habib
James M. Avery
Jamie Tosches
Alexander Cochis

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-1: Referring to BSG's response to USW 1-4, between December 1, 1999 to date, provide all documents within the possession, custody, or control of BSG or NCSC, relating to or regarding the performance of identified vendors who have been contracted by NCSC and/or BSG to provide services with regard to Meters to Cash and Customer Contact Center functions. This request includes, but is not limited to, any and all customer complaints regarding functions performed by identified vendors, correspondence between BSG or NCSC and vendors regarding or relating to vendor performance, internal and external memoranda, e-mails, and any other documents evaluating the performance of vendors with regard to Meters to Cash and Customer Contact functions.

RESPONSE: Objection. The question is irrelevant to this proceeding where Bay State's service quality on behalf of its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. Moreover, the question is a fishing expedition into the affairs of non-jurisdictional companies since it requests information belonging to entities that have no demonstrated effect on Bay State service to its customers. Third party provision of services Bay State could provide itself is a normal, reasonable, cost-efficient method of obtaining and providing services it could do itself and it is part of Bay State's regular business practice.

Notwithstanding this objection, but rather specifically maintaining it, as stated in the Company's response to USW 1-4, Bay State utilizes contract firms to provide credit and collection assistance: NCO Financial Systems, United Collection Bureau and Alliance One. The Company has received very few customer complaints that involve these contractors and, as such, does not maintain a list of complaints involving these contractors. Further, as a general matter, it would be difficult in most cases to determine, considering that these contractors are engaged in collection activities, to determine if the complaint is related to the contractor's performance or is more generally related to the Company's desire to collect funds owed to it.

The Company does maintain performance information related to these contractors. For instance, NCO Financial Systems performs outbound collection calls and the Company tracks the number of successful

contacts made by NCO. Attachment USW 03-01 (A) contains this tracking information for the period January, 2005 to present.

All three collection contractors perform collection services related to amounts owed by former customers. Performance for this work is measured utilizing a net back percent calculation that includes amounts collected and commission paid, as compared to total dollars assigned for collections. Attachment USW 03-01 (B) contains these performance statistics for the three contractors.

The Company is also in the process of initiating a broader auditing process for outside collection agencies. Although data is not yet available, Attachment USW 03-01 (C) contains a description of this program.

Neither NCSC nor Bay State permit or have permitted outside vendors to perform the functions associated with Bay State customer call centers during the prescribed period.

**Bay State Gas / Northern Utilities
NCO Outbound Call Performance**

	# Transmitted	# Contacted	% Number
Jan-05	12,740	1,139	8.94%
Feb-05	13,501	1,285	9.52%
Mar-05	14,219	1,624	11.42%
Apr-05	18,799	1,910	10.16%
May-05	25,269	1,940	7.68%
Jun-05	21,819	3,309	15.17%
Jul-05	16,243	3,141	19.34%
Aug-05	16,981	3,992	23.51%
Sep-05	14,822	3,349	22.59%
Oct-05	13,713	1,592	11.61%
Nov-05	7,161	1,022	14.27%
Dec-05	4,044	1,607	39.74%
Total	179,311	25,910	14.45%
Jan-06	8,805	1,826	20.74%
Feb-06	18,206	3,916	21.51%
Mar-06	15,512	6,361	41.01%
Apr-06	17,074	5,586	32.72%
May-06	25,854	9,176	35.49%
Jun-06	20,513	7,291	35.54%
Total	105,964	34,156	32.23%

UCB 01/01 to 06/04

(Jan 01 - Dec 01)

Bay State	
Placement Month	Net Back %
Jan-01	#DIV/0!
Feb-01	#DIV/0!
Mar-01	#DIV/0!
Apr-01	#DIV/0!
May-01	#DIV/0!
Jun-01	16.78%
Jul-01	9.04%
Aug-01	13.29%
Sep-01	8.68%
Oct-01	9.73%
Nov-01	7.95%
Dec-01	8.28%
% of Net Back	9.9

(Jan 02 - Dec 02)

Bay State	
Placement Month	Net Back %
Jan-02	8.79%
Feb-02	10.15%
Mar-02	9.77%
Apr-02	12.02%
May-02	8.54%
Jun-02	12.99%
Jul-02	7.34%
Aug-02	9.99%
Sep-02	10.76%
Oct-02	7.61%
Nov-02	7.69%
Dec-02	9.80%
Total	
% of Net Back	9.59

(Jan 03 - Dec 03)

Bay State	
Placement Month	Net Back %
Jan-03	10.51%
Feb-03	10.54%
Mar-03	13.80%
Apr-03	11.10%
May-03	5.64%
Jun-03	13.33%
Jul-03	8.26%
Aug-03	7.28%
Sep-03	8.25%
Oct-03	4.98%
Nov-03	4.41%
Dec-03	4.23%
Total	
% of Net Back	9.29

(Jan 04 - Dec 04)

Bay State	
Placement Month	Net Back %
Jan-04	8.65%
Feb-04	6.29%
Mar-04	4.80%
Apr-04	8.83%
May-04	4.18%
Jun-04	0.43%
Jul-04	#DIV/0!
Aug-04	#DIV/0!
Sep-04	#DIV/0!
Oct-04	#DIV/0!
Nov-04	#DIV/0!
Dec-04	#DIV/0!
Total	
% of Net Back	4.06

Scoring Matrix

Score	Percent of Sample in Compliance
1	<70%
2	70-79%
3	80-89%
4	90-94%
5	95-100%

Audit Criteria Matrix

Criteria	All accounts under \$50	All accounts \$50 - \$300	All accounts \$300 - \$500	All accounts over \$500	Score	Weighting %	Weighted Score
Initial Contact Letter	Initial collection letter is mailed within first 7 calendar days	Initial collection letter is mailed within first 7 calendar days	Initial collection letter is mailed within first 7 calendar days	Initial collection letter is mailed within first 7 calendar days	5	5%	0.25
Additional Contact Letter	N/A	Minimum of 1 additional letter sent after first 30 days and prior to 60 days.	Minimum of 1 additional letter sent after first 30 days and prior to 60 days	Minimum of 1 additional letter sent after first 30 days and prior to 60 days	5	5%	0.25
30 Day Contacts (letters and calls)	Minimum of 1 contact attempt during the first 30 calendar days	Minimum of 3 contact attempts during first 30 calendar days	Minimum of 5 contact attempts during first 30 calendar days	Minimum of 6 contact attempts during first 30 calendar days	5	10%	0.50
Initial Phone Call	N/A	Attempted a phone contact within first 10 calendar days	Attempted a phone contact within first 10 calendar days	Attempted a phone contact within first 10 calendar days	5	10%	0.50
Evening Phone Call	N/A	Minimum of 1 evening contact attempt during first 30 days	Minimum of 2 evening contact attempts during first 30 days	Minimum of 2 evening contact attempts during first 30 days	5	5%	0.25
Live Phone Call	N/A	Minimum of 1 live phone call made during first 30 days	Minimum of 2 live phone calls made during first 30 days	Minimum of 2 live phone calls made during first 30 days	4	10%	0.40

Skip Tracing	Accounts with returned mail or wrong phone number must go through a NCOA	Accounts with returned mail or wrong phone number must go through a NCOA	In addition to criteria for accounts \$50-\$300, manual look-up for phone number is required (different service then automated batch process)	In addition to criteria for accounts \$300-\$500, 2 near by calls to a person with the same last name in the customer's zip code are required	3	25%	0.75
ACH	Daily file and wire transfer must be on time and accurate	Daily file and wire transfer must be on time and accurate	Daily file and wire transfer must be on time and accurate	Daily file and wire transfer must be on time and accurate	5	10%	0.50
Disputes	All collection activity must be stopped until dispute is resolved	All collection activity must be stopped until dispute is resolved	All collection activity must be stopped until dispute is resolved	All collection activity must be stopped until dispute is resolved	5	5%	0.25
Bankruptcies	All bankruptcies must be returned within one week	All bankruptcies must be returned within one week	All bankruptcies must be returned within one week	All bankruptcies must be returned within one week	5	5%	0.25
Quality Assurance	Observe collectors to be courteous, professional, and persuasive	Observe collectors to be courteous, professional, and persuasive	Observe collectors to be courteous, professional, and persuasive	Observe collectors to be courteous, professional, and persuasive	5	5%	0.25
FDCPA Compliance	Verify Individual FDCPA Training	Verify Individual FDCPA Training	Verify Individual FDCPA Training	Verify Individual FDCPA Training	5	5%	0.25
Total Score							4.40

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RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-2: Referring to BSG's response to USW 1-5, identify every BSG or NCSC employee or agent, and/or NiSource officer or agent responsible for December 2001 decision referenced in Mr. Bryant's response "to require additional approvals before vacant positions could be filled." Provide each individual's job title when the decision was made, his current position, his employer, and whether each employee received his salary from Bay State, NiSource, or another NiSource affiliate in 2001.

RESPONSE: The decision to require NiSource Management Council approval to fill any vacant positions was the decision of the NiSource Management Council ("Management Council"). In December 2001 the Management Council was made up of the following:

1. Gary Neale, Chairman, President and CEO
2. Steve Adik, Vice-Chairman
3. LaNette Zimmerman, EVP and Chief Human Resources Officer
4. Michael O'Donnell, EVP and CFO
5. Peter Fazio, EVP and General Counsel
6. Catherine Abbott, Group President, Pipeline Operations
7. Pat Mulchay, Group President, Merchant Energy
8. Jeff Yundt, Group President, Energy Distribution
9. Steve Smith, President, Business Services
10. Mark Wycoff, President, Energy Technologies

All members of the Management Council were employees of NiSource Corporate Services Company ("NCSC"), with the exception of Catherine Abbott (employee of Columbia Gas Transmission Corporation) and Mark Wycoff (employee of NiSource Energy Technologies).

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RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-3: Referring to BSG's response to USW 1-6 and USW 1-5, provide all documents relating to or regarding the December 2001 decision referenced in Mr. Bryant's response "to require additional approvals before vacant positions could be filled." This request includes, but is not limited to, all documents regarding, relating to, or informing the decision-makers identified in your response to USW 3-2 to response "to require additional approvals before vacant positions could be filled."

RESPONSE: Please see Attachment USW 03-03.

Attachment USW 03-03 is a letter from Gary L. Neale, Chairman, President and Chief Executive Officer of NiSource in December, 2001 that outlines the factors that led to the decision to put on hold hiring for new positions and requiring the approval of the NiSource Management Council to fill vacant positions.

In Attachment USW 03-03, Mr. Neale notes that expected poor financial performance due to a weak economy and high energy prices would require that, collectively, the management and employees of NiSource affiliates would need to find ways to "streamline our organization, find more efficient ways of doing our work, and reduce costs." Mr. Neale also observes in Attachment USW 03-03 that a team of employees and consultants were at that time engaged in examining the "overall organization structure, roles, responsibilities, and processes to determine ways in we can further streamline [administration and operations] and make us even more effective." Mr. Neale also recognizes in Attachment USW 03-03 that Operation Excellence, a comprehensive examination of "ways in which, in the long term, we can truly operate the business in a more effective way," was well underway and would impact the organization in the near future by defining additional ways to streamline the organization.

Each of the factors described in Attachment USW 03-03 contributed to considerable uncertainty regarding the finances and the staffing requirements of the future organization and therefore strongly influenced management's decision-making with regard to the timing of and requirements for selecting additional personnel at that time.



Gary L. Neale
Chairman, President and
Chief Executive Officer

801 E. 86th Avenue
Merrillville, IN 46410

December 7, 2001

TO ALL NISOURCE EMPLOYEES:

As we end 2001 and look forward to 2002, I would like to spend some time reflecting on our first year as the new NiSource and discussing our plans for the future. In our first year as a merged organization, we have articulated a vision for the future and made significant progress in building a platform from which we can become the Leader in Creating Energy Value. Each of you has made a personal contribution this year to our progress, and I want to thank you all for your hard work and commitment.

On the negative side, as we have reported, we will not achieve our 2001 Earnings Per Share (EPS) goal, and as we look forward to 2002 and a poor economy, we face many challenges. Our earnings guidance for 2002 puts us at EPS of \$2.15 to \$2.20, which is a no-growth forecast. To realize even these earnings and to fulfill our vision, we need to drive to a new level of excellence in all aspects of our operations. This means we must streamline our organization, find more efficient ways of doing our work, and reduce costs.

In the past few weeks, the Management Council and I have created a plan to help us through the current recession, stabilize earnings, and establish a platform for future growth. This plan will enable us to better meet the challenges before us. To date, we have made the following decisions:

- The Management Council and all other exempt personnel will receive no pay increases in 2002.
- There will be no payout for the EPS portion of the 2001 annual incentive plans. However, other payments that are linked to achieving business segment EBIT, budget and customer service goals, will be determined after the close of the year.
- Incentive bonus plans for 2002 will be EPS based. Thus, if we do not achieve our corporate EPS threshold, there will be no bonuses throughout the company in 2003.
- All hiring will be put on hold. Any vacancies that occur cannot be filled unless approved by the Management Council. The process for requesting hiring approval will be communicated in the next few weeks.
- The NiSource severance policy (which applies only to pre-merger NiSource employees) has been modified to reflect the needs of the company and to be

Page 2
December 7, 2001

more in line with the market, capping the maximum severance payout to 52 weeks. The revised policy in its entirety is available on the NiSource intranet.

- All departments have been asked to significantly reduce their budgets and are responding with both O&M cuts and capital spending reductions.

In addition to these actions, several other initiatives are under way:

- Across NiSource, we are examining our overall organization structures, roles, responsibilities, and processes to determine ways in which we can further streamline and make us even more effective. A small team of outside consultants and employees will be making their recommendations to the Board of Directors and Management Council by the end of January 2002.
- Operational Excellence programs are a mechanism to determine ways in which, in the long term, we can truly operate the business in a more effective way. The Energy Distribution Group is well on its way to defining the ways in which it can streamline operations and improve performance over the next three years and will be communicating the results of their phase one activities in the near future. The Pipeline and Production Group and the Merchant Energy Group have committed to putting Operational Excellence programs in place early in 2002 to continue the process of improving operations across the organization.
- The Merchant Energy Group announced its plan to shut down NIPSCO's Dean H. Mitchell generating station. The decreased demand for electricity and current wholesale market prices, combined with the capital expenditures required to maintain the aging facility, all converged to create a situation in which it is not economically prudent to operate the plant.

Unfortunately, the above cost-cutting measures do not come without some human consequences. We will also need to reduce our workforce. We hope to obtain most of these reductions through retirements, attrition, and voluntary severance programs, but some layoffs of employees will occur. This is a reality. These decisions will be made at the individual department and business unit level.

These actions are necessary to adjust to conditions posed by the economic downturn, which might last to the fourth quarter of 2002. Energy demand in the industrial, commercial, and residential sectors has declined significantly, offsetting the growth potential of NiSource's distribution business. Declining consumption has also placed prices under pressure, lowering margins for wholesale gas and electric sales. NiSource also expects less price volatility in the nation's energy markets, making it more difficult to achieve growth in our emergent merchant energy business in 2002.

In total, margins in all of our business units will be under pressure in 2002.

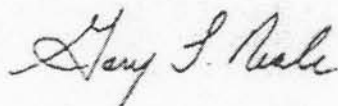
Our vision and the challenges that face us require commitment from each of us. We must pull together, and we must pull in the same direction. I am asking each of you to

Page 3
December 7, 2001

think and act like owners. Talk with your managers about how we can improve our operations. Let us know your thoughts on how we can do things better. Send your ideas to the Leadership Council's mailbox (leadershipcouncil) to make sure that we are not missing any opportunities to improve our operations.

Communication of our progress toward achieving our goals will be essential. I commit to regular updates on our performance. If we work together, I am confident we can achieve the goals we have set and will be a stronger company in the future.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary S. Neale".

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DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-4: Referring to BSG's response to USW 1-5 and USW 1-7, state the grounds for the December 2001 decision "to require additional approvals before vacant positions could be filled" at BSG..

RESPONSE: Please see Bay State's response to USW 3-3.

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D.T.E. 06-31

Date: August 23, 2006

Responsible: Stephen H. Bryant, President

USW 3-5: Referring to BSG's response to USW 1-5 and USW 1-8, provide the date that December 2001 decision resulting in the policy "to require additional approvals before vacant positions could be filled" at BSG, was officially lifted at BSG.

RESPONSE: A search of Company records has not uncovered any specific documents declaring a "formal" relaxation of the requirement to seek additional approval before a vacant position could be filled within the NiSource affiliates. In March 2002, the Office of the Chief Operating Officer was created and in August 2002, Samuel W. Miller was appointed to the position of Executive Vice President and Chief Operating Officer. From this point on, operational staffing decisions were made by Mr. Miller and/or his designates.